

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

AMEMBASSY MOSCOW

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E.O. 11652: GDS

TAGS:UR, US, JA, PGOV, EEW, ECON

SUBJECT: US-JAPAN EXPERTS' TALK, JUNE 12-14

1. SUMMARY. EXCHANGES BETWEEN US AND JAPANESE EXPERTS ON SOVIET AFFAIRS AT DEPARTMENT AND ARLIE HOUSE COVERED WIDE RANGE OF POLITICAL AND ECONOMIC TOPICS. HIGHLIGHTS OF JAPANESE PRESENTATIONS INCLUDED EXPLANATION OF POLITICAL PROBLEMS WITH SOVIETS AND DESCRIPTION OF MODERATE WARMING IN RELATIONS WITH PRC. WHILE MAKING CLEAR SERIOUS POLITICAL ISSUES ON WHICH GOJ DIFFERED WITH MOSCOW, JAPANESE SIDE STRESSED UTILITY FOR JAPAN OF CONTINUING TO DEVELOP ECONOMIC RELATIONS. JAPANESE PRESSED FOR US INVOLVEMENT IN

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SIBERIAN DEVELOPMENT PROJECTS, LAYING PARTICULAR STRESS ON YAKUTIA LNG PROJECT. US SIDE RESPONDED THAT UNCERTAINTIES CONCERNING US ENERGY POLICY AND ULTIMATE SHAPE OF THE PROJECT ITSELF PRECLUDED TAKING A POSITION ON YAKUTIA. JAPANESE APPEARED TO HAVE GAINED CLEAKER UNDERSTANDING OF DIFFICULTIES WHICH YAKUTIA PROJECT POSES FOR USG. END SUMMARY.

2. DEPARTMENT AND JAPANESE MFA EXPERTS ON SOVIET AFFAIRS HELD DISCUSSION IN WASHINGTON JUNE 12-13 AND THEN JOINED

ADDITIONAL USG AND ACADEMIC EXPERTS FOR A CONFERENCE ON  
SIBERIAN DEVELOPMENT AT AIRLIE HOUSE, JUNE 13-14. JAPANESE

DELEGATION HEADED BY TAKEHIRO TOGO, DIRECTOR, FIRST EAST  
EUROPE DIVISION, EUROPEAN AND OCEANIC AFFAIRS BUREAU, MFA;  
US SIDE LED BY EUR DEPUTY ASSISTANT SECRETARY LUERS.  
MARSHALL SHULMAN GAVE OPENING US PRESENTATION AND HOSTED  
LUNCHEON FOR JAPANESE DELEGATION. REPRESENTATIVES OF US  
AND JAPANESE EMBASSIES IN MOSCOW ALSO PARTICIPATED.

3. IN VIEW OF US PARTICIPANTS, JAPANESE CONSISTENTLY PLAYED  
DOWN SIGNIFICANCE OF THEIR ECONOMIC RELATIONS WITH USSR AND  
EMPHASIZED CONSTRAINTS OF POLITICAL PROBLEMS. SPECIFICALLY  
THE JAPANESE INDICATED THAT NEITHER THEY NOR THE SOVIETS  
HAVE PROPOSED ANY ADDITIONAL PROJECTS BEYOND THOSE  
PRESENTLY BEING IMPLEMENTED. MOREOVER, EVEN IF THE  
SAKHALIN OIL AND NATURAL GAS AND THE YAKUTIA PROJECTS ARE  
IMPLEMENTED AS PRESENTLY ENVISAGED, THE INCREASED TRADE  
WILL REMAIN INSIGNIFICANT IN THE TOTAL VOLUME OF  
JAPAN'S TOTAL FOREIGN TRADE. (AT AIRLIE HOUSE THE JAPANESE  
PRESENTED NON-PAPERS INDICATING MOST OPTIMISTIC ESTIMATES  
PREDICT THAT BY 1990 THE USSR WILL BE PROVIDING AS LITTLE  
AS 1 PERCENT OF THEIR OIL IMPORTS, 20 PERCENT OF THEIR  
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LIQUIFIED NATURAL GAS NEEDS, AND 7 PERCENT OF COAL IMPORTS.)

4. JAPANESE STATED THEIR BELIEF THAT SOVIET DEVELOPMENT OF  
SIBERIA AND PRIMORSKIY KRAY, INCLUDING BAM, WAS  
ESSENTIALLY NOT DEPENDENT ON FOREIGN INVOLVEMENT AND  
SOVIETS WOULD PROCEED IN ANY EVENT. SOVIET ATTITUDE  
APPEARED TO BE THAT OF NOTING THAT GAS DEPOSITS ARE THERE  
TO EXPLOIT IF FOREIGN ENTERPRISES ARE INTERESTED.  
JAPANESE FURTHER BELIEVED THAT DEVELOPMENT OF EASTERN  
SIBERIA DID NOT POSE A MILITARY THREAT EITHER TO JAPAN OR  
CHINA, AND WAS NOT PERCEIVED AS SUCH; FOR EXAMPLE, IT WAS  
NOTED THAT BAM IS A SINGLE RAIL LINE.

5. IN HIS PRESENTATION ON POLITICAL RELATIONS, TOGO  
EXPLAINED HOW SOVIETS' MISHANDLING OF FISHERIES AND  
NORTHERN TERRITORIES ISSUES, PUBLICATION OF THE SOVIET  
DRAFT PEACE TREATY, AND THE MIG 25 INCIDENT HAD HARDENED  
JAPANESE PUBLIC OPINION AGAINST THE USSR. TOGO SAID THAT  
GOJ HAD EMPHASIZED TO SOVIETS IMPORTANCE OF NORTHERN  
TERRITORIES ISSUE WHICH GOJ HELD MUST BE DEALT WITH  
BEFORE JAPAN COULD CONSIDER GOOD NEIGHBOR TREATY SOUGHT BY  
USSR. TOGO DESCRIBED RECENT "CLUMSY" SOVIET ATTEMPTS TO  
GET GOJ TO CHANGE ITS POSITION, BUT CONCLUDED MOSCOW HAS  
NO DOUBT WHERE GOJ STANDS.

6. TOGO ALSO SAID THAT SOVIETS REMAIN CONCERNED ABOUT  
PENDING PEACE AND FRIENDSHIP TREATY BETWEEN JAPAN AND PRC.

ACCORDING TO GOJ, SOVIETS HAVE POINTED TO APPARENT AGREEMENT

BY JAPAN AND THE PRC TO SHELVING SENKAKU ISLAND TERRITORIAL ISSUE, INSISTING THAT JAPAN COULD DO THE SAME WITH RESPECT TO THE NORTHERN TERRITORIES. TOGO EMPHASITICALLY DENIED THAT THERE WAS ANY SIMILARITY IN THESE CASES, EMPHASIZING THE FACT THAT THE JAPANESE HAD POSSESSION OF SENKAKUS. NEVERTHELESS, TOGO CONCLUDED THAT JAPAN EXPECTS SOVIETS TO INTENSIFY ANTI-PFT MEASURES, PERHAPS BY ADOPTING A HARDER

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LINE ON FISHERIES, MILITARY MANEUVERS, ETC. IN MEANTIME, GOJ EXPECTS TO CONTINUE CULTURAL AND INFORMATIONAL INTER-CHANGE IN HOPE OF PROMOTING BETTER UNDERSTANDING ON PART OF SOVIETS OF JAPANESE POSITION.

7. TALKS BEGAN SHORTLY AFTER WORD OF JAPAN-ESE PROTEST TO USSR OVER ALLEGED EXERCISE ACTIVITY IN THE NORTHERN TERRITORIES REACHED WASHINGTON. JAPANESE INQUIRED WHAT WE KNEW AND WERE INFORMED THAT WHILE SOME SMALL AMPHIBIOUS LANDING SHIPS WERE ACTIVE IN THE AREA, NO MAJOR SURFACE COMBATANTS APPEARED TO BE INVOLVED. (FYI HISTORICALLY, SOVIET AMPHIBIOUS EXERCISES INVOLVE THE USE OF AMPHIBIOUS LANDING SHIPS, MAJOR SURFACE COMBATANTS SUCH AS CRUISERS AND/OR DESTROYERS, AND TACTICAL AIRCRAFT.) WE ALSO TOLD THE JAPANESE WE HAD NOTED A SHARP INCREASE IN THE NUMBER OF SOVIET TRANSPORT FLIGHTS TO ETORUFU, BUT THOUGHT THAT CLOSURE OF THE AREA WAS FOR MISSILE FIRINGS AND NOT RELATED TO WHATEVER ELSE THE SOVIETS WERE DOING IN THE AREA. TOGO SEEMED APPRECIATIVE AND COMMENTED THAT HE THOUGHT THE PRESS AND THE JDA PROBABLY HAD EXAGGERATED THE EXTENT OF SOVIET ACTIVITY. HE POINTED OUT THAT SOVIET CLOSURES OF AREAS NEAR JAPAN WERE A FAIRLY ROUTINE OCCURRENCE, THERE HAVING BEEN OVER 250 IN 1977 AND MORE THAN 28 THUS FAR IN 1978.

8. IN RESPONSE TO US QUESTIONS, TOGO SAID GOJ WOULD NOT BE OVERLY CONCERNED AT THIS STAGE ABOUT POSSIBLE WESTERN EUROPEAN MILITARY SALES TO THE PRC CONSIDERING THE LATTER'S PRESENT BACKWARDNESS. HOWEVER, TOGO ALSO STATED THAT SUCH SALES COULD LEAD TO PROBLEMS IN THE LONGER TERM AS THE PRC DEVELOPS HIGHER MILITARY CAPABILITIES. TOGO ALSO SAID IN RESPONSE TO QUESTION THAT HE DID NOT BELIEVE SOVIET CONCERN ABOUT PFT AND LACK OF PEACE TREATY WITH JAPAN

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WOULD HAVE ANY SIGNIFICANT ADVERSE EFFECT ON JAPAN-SOVIET ECONOMIC RELATIONS.

9. IN PRESENTATION ON JAPAN-SOVIET ECONOMIC RELATIONS TOGO

POINTED OUT THAT WHILE JAPANESE BUSINESSMEN CONTINUE TO BE INTERESTED IN TRADING WITH THE USSR, THEY ARE NOW MORE AWARE OF THE LIMITATIONS OF SUCH TRADE AND ARE SHOWING MORE INTEREST IN DOING BUSINESS WITH THE PRC. TOGO STRESSED THAT TRADE WITH THE USSR COMPRISED ONLY TWO PERCENT OF JAPAN'S TOTAL TRADE AND AT AIRLIE HOUSE THE JAPANESE SAID THEY EXPECT TO GET MORE OIL FROM THE CHINESE THAN FROM THEIR JOINT SAKHALIN ISLAND PROJECT WITH THE SOVIETS. HOWEVER, JAPANESE REPRESENTATIVES FAILED TO MAKE CLEAR EXACTLY HOW FAR THEY WERE PREPARED TO GO IN DEVELOPING THEIR RELATIONSHIP WITH THE PRC AND TOGO SAID IT WAS IN JAPAN'S INTEREST NOT TO LET POLITICAL PROBLEMS INFLUENCE THE ECONOMIC RELATIONSHIP WITH THE SOVIETS. IF PROJECTS COULD BE PROVEN TECHNICALLY AND ECONOMICALLY FEASIBLE, HE SAID, GOJ WOULD CONTINUE TO ASSIST THEM WITH BANK LOANS OR LETTERS OF SUPPORT.

10. JAPANESE ALSO MADE STRONG PITCH FOR US JOINT PARTICIPATION IN LARGE SCALE SIBERIAN DEVELOPMENT PROJECTS. IN RESPONSE TO QUESTION TOGO SAID THAT WHILE JAPAN NEEDS THE US IN OIL AND GAS PROJECTS, IT WAS PREPARED TO GO IT ALONE ON OTHER VENTURES. HE EMPHASIZED PARTICULARLY THE YAKUTIA LNG VENTURE WHICH WAS EXTENSIVELY DISCUSSED BOTH AT THE DEPARTMENT AND AT AIRLIE. TOGO SAID JAPAN THOUGHT YAKUTIA WAS A WORKABLE ARRANGEMENT WHICH WAS WORTHWHILE PURSUING AND JAPAN WANTED THE USG TO SUPPORT IT. IN RESPONSE USG REPRESENTATIVES SAID THAT SINCE OUR POLICY TOWARD NATURAL GAS AND LNG WAS STILL UNDER CONSIDERATION, AND MANY DETAILS OF PROJECT ITSELF REMAIN TO BE WORKED OUT AND WE CANNOT TAKE A POSITION ON THE PROJECT. WITH RESPECT TO THE OTHER MAJOR OIL/GAS PROJECT, SAKHALIN, US COMPANY INVOLVEMENT IS LIMITED TO GULF OIL'S 3.5 PERCENT

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INTEREST, BUT THE JAPANESE APPEARED TO CONSIDER THAT SUFFICIENT.

11. THE AIRLIE DISCUSSION OF SIBERIAN DEVELOPMENT REVEALED A CLEAR DIFFERENCE IN US AND JAPANESE ATTITUDES. DURING HIS PRESENTATION ON SIBERIAN ENERGY DEVELOPMENT, MFA EXPERT NAGAO HYODO POLITELY CHIDED US CONGRESS FOR FAILURE TO ENACT PROMPTLY AN ENERGY LAW AND FOR PASSING RESTRICTIVE LEGISLATION SUCH AS THE STEVENSON AMENDMENT WHICH HINDERED US INVOLVEMENT IN SIBERIA. IN SUBSEQUENT PRESENTATION REPRESENTATIVE OF COMMERCE, LIBRARY OF COMMERCE STAFF AND STATE ENUMERATED THE RANGE OF DIFFICULTIES INVOLVED IN COMING TO GRIPS WITH THE ISSUES RAISED BY SIBERIAN ENERGY

PROBLEMS. THESE INCLUDE LEGISLATIVE RESTRICTIONS (JACKSON-VANIK AND STEVENSON AMENDMENTS), ENERGY AND ENVIRONMENTAL POLICY CONSIDERATIONS, PROBLEMS POSED BY FLUCTUATION IN SOVIET POLICY AND SOVIET INSISTENCE ON

COMPENSATION PAYMENT ARRANGEMENTS. IT WAS POINTED THAT UNLIKE JAPAN, THE US COULD NOT SEPARATE POLITICAL AND ECONOMIC MATTERS, BECAUSE FOREIGN TRADE WAS NOT AS IMPORTANT TO THE US ECONOMY AS IT WAS TO JAPAN'S. COMMENTS BY US PARTICIPANTS APPEARED TO MAKE AN IMPRESSION ON THE JAPANESE, FOR TOGO STATED PRIVATELY AFTERWARD THAT THE JAPANESE WOULD HAVE TO "RETHINK" THEIR POLICY OF HOPING FOR US PARTICIPATION IN THE YAKUTIA LNG PROJECT.

12. COMMENT. DEPT BELIEVES THIS YEAR'S SESSION OF EXPERT'S TALKS REPRESENTED FIRST TIME IN THESE TALKS THAT WE HAVE ENGAGED JAPANESE IN SERIOUS AND PROLONGED DISCUSSION OF THOSE AREAS OF ENERGY POLICY WHERE US AND JAPANESE INTERESTS ARE ENGAGED VIS-A-VIS USSR. JAPANESE PARTICIPANTS EMPHASIZED THAT THEY WERE EXTREMELY IMPRESSED

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BY US SIDE'S EXTENSIVE PREPARATION FOR TALKS AND KNOWLEDGE WHICH US SIDE EXHIBITED DURING DISCUSSIONS ON THE VARIOUS TOPICS. IN SUM, DEPT CONSIDERS THAT SESSION WAS POSITIVE STEP IN US-JAPAN RELATIONS. VANCE

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